



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.08

Voluntary Report - public distribution

Date: 10/6/2006

GAIN Report Number: JM6007

Jamaica & Dep

Product Brief

Wine Market Brief

2006

Approved by:

Jamie Rothschild

U.S. Embassy, Santo Domingo

Prepared by:

Sylburn Thomas

Report Highlights:

Jamaica's market for wine totaled USD5.5 million in 2005 spurred by changes in the Jamaican Government's import policy, strong tourism demand and a changing consumption pattern in the retail sector. The growth in the tourism sector is expected to generate exponential increases in wines imports and consumption over the medium-term, which is forecasted to reach 6 million liters valued at USD12 million by 2007. The United States currently has close to a 30% share on the market. The major competitors are France, Chile, and Italy. Newcomers such as Australia and South Africa are also beginning to gain some market share.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Kingston [JM1]
[JM]

Table of Contents

1.0 Executive Summary	3
2.0 Market Overview	3
3.0 Road Map for Entry	4
4.0 Market Size, Structure and Trends.....	4
4.1 Imports and Competition	5
4.2 Market Segment Structure and Trends.....	6
4.2.1 Hotel Segment	6
4.2.2 Retail Segment	6
4.3 Price Comparison.....	7
4.3.1 Border Prices.....	7
4.3.2 Retail Prices	8
4.3.3 Changes in Price Competitiveness	8
5.0 Other Competing Products	9
6.0 Best Prospects for U.S. Wine	9
7.0 Market Access	9
8.0 Further Contacts	9

1.0 Executive Summary

Wine consumption in the HRI sector, will continue to drive future demand for wine in Jamaica. The expected expansion in the tourism sector, mainly from increasing investments by Spanish hotels, and an ambitious government-backed luxury resorts development is projected to generate increases in wine consumption in the tourism sector over the short to medium-term.

The Jamaica wine market is highly competitive, with high degree of market share variability among the major exporting countries – the United States, Chile, France and Italy. Historically, U.S. wine is positioned in the mid to high price range in the retail sector, while Chilean and French wines are positioned in the mid to lower price range.

The recent changes in the Government of Jamaica's (GOJ's) import policy on wine have conferred an estimated 19% duty (price) advantage on U.S. wine. In this respect, U.S. wine, which are generally less price competitive, have gained a relative price advantage in the Jamaica market. Given the general acceptance of U.S. wine in the retail sector, and the strong demand in the tourism segment, the duty advantage that has accrued to U.S. wine should translate into significant increase in imports over the short-term.

2.0 Market Overview

Jamaica is a small, relatively open economy with stable democratic governance. It has a population of 2.6 million people (50% below 30 years old) and per capita income and consumption of USD3,000 and USD1,400, respectively. Tourism, communication, distribution and mining are the main economic sectors. Due to its large diaspora community (estimated at two million people), remittances are significant to the household economy.

The one to two percent growth in the macro economy over the last three years is projected to accelerate to between three and four percent over the medium-term. Despite being sub-optimal in magnitude, the sustained positive economic growth, coupled with other factors such as improved labor relations, better fiscal discipline, stable political environment, and increasing remittances, have increased business and consumer confidence and expenditure.

With a service-oriented economy, Jamaica is a net importer of food and beverages. The United States is the major food exporting country to Jamaica, accounting for about 50% of annual imports. The expansions in the tourism sector, and changing consumer lifestyles have generated increasing demand for imported grape wines (red, white and sparkling) in Jamaica. Total consumption of imported wines stood at 2.8 million liters valued at USD5.5 million during 2005, and is projected to increase over the coming years.

Advantages and Challenges for U.S. Wines

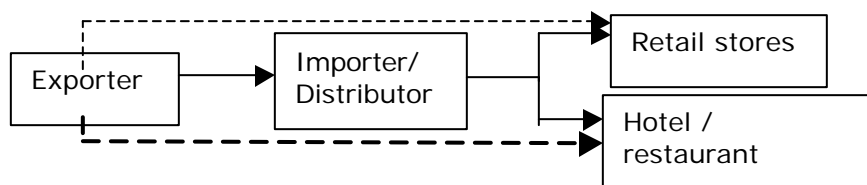
Advantage	Challenges
U.S. tourists (representing over 73% of total tourist arrivals to Jamaica) generate a substantial demand for U.S. wine in the tourism sector (which accounts for about 80% of total wines consumption).	South American wine compete fiercely with U.S. wine in both the hotel and retail segments on the bases of prices and quality.
Easy consolidation of mixed containers and lower shipping costs from the U.S. create a distinct advantage for U.S. wines.	The increasing number of all-inclusive hotels, and the resulting price pressures in the tourism sector, will favor wines that are low-price leaders, assuming similar quality.
The price advantage historically enjoyed by less expensive South American wines has been substantially eroded by recent modifications to the Government of Jamaica's (GOJ's) methods of computing import taxes.	Increasing trade, economic and cultural ties between Jamaica and South America will likely foster acceptance of wine from those regions, as well as, lower shipping costs and improved shipping logistics.
The rapid expansion in the Jamaican tourism industry is projected to fuel an increase in wine imports and consumption over the short-term.	The Jamaican consumer market for wine is relatively new and small.
Jamaican consumers gravitate towards U.S. culture, purchasing habits, and general consumption trends.	There is increasing marketing and promotion of South American wines in the retail sector.

3.0 Road Map for Entry

The distribution channel for wine in Jamaica is relatively simple, but evolving. Currently, imported wine is distributed to the hotel/restaurant and retail sectors by importers that target both market segments. The thrust in the hotel sector is towards increasing direct importation of wine by larger hotels. Supermarkets and club stores are also exploring the feasibility of directly importing wine and other alcoholic beverages. The increased price competitiveness of U.S. wine has encouraged retailers and hotels, which are at a comparative disadvantage in importing from multiple countries, to include wine in their existing portfolio of products that are consolidated in the United States.

The evolving nature of the distribution channel expands the possibilities of market entry strategies. Wine that is positioned on the basis of strong brand recognition is best distributed through an importer with the expertise, channel arrangement, and capital base to appropriately market the products. Direct sales of medium quality/price wine to hotels under contractual arrangements can suit small to medium-sized exporters. At least USD3.5 million in sales under direct contractual arrangement between Jamaican hotels and U.S. wine exporters is expected to be realized during 2006, with better prospects for subsequent years.

Distribution Channel



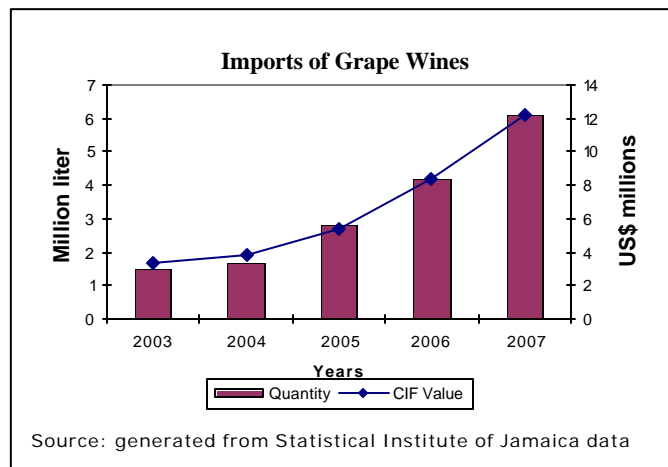
4.0 Market Size, Structure and Trends

The Jamaican market for wines is structurally segmented into the hotel /restaurant and retail segments, with distinct market characteristics that dictate differences in marketing strategies. Notwithstanding a general upward trend in wine consumption in the retail

segment, the hotel sector, which currently accounts for an estimated 80% of total consumption, will drive future demands for wine in Jamaica.

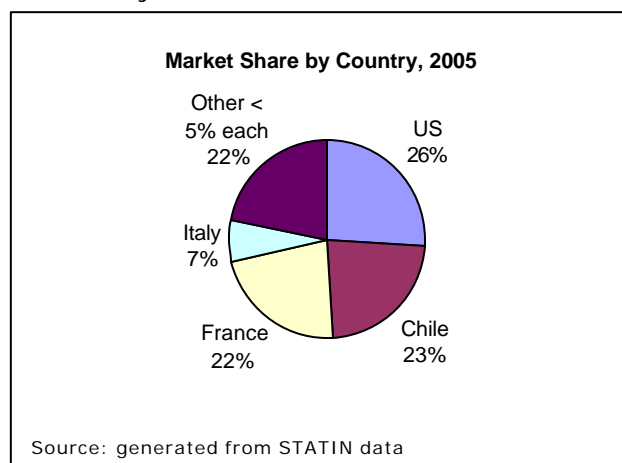
4.1 Imports and Competition

Total grape wine (red, white and sparkling) imports into Jamaica over the last three years have trended upward at an increasing rate from 1.5 million liters valued at USD3.5 million



during 2003 to 2.8 million liters valued at USD5.5 million during 2005, and is projected to continue along that trajectory, reaching 4.2 and 6.1 million liters valued at USD 8.4 million and USD12.2 million during 2006 and 2007, respectively. The 68% jump in imports during 2005 is explained largely by changes in government import policy, which lowered the price of wine. Industry sources have projected that the rapid expansion in the tourism sector should fuel an annual increase of approximately 50% in the demand for wine in the hotel sector over the next

two years. At the retail level, there is an increasing acceptance and consumption of wine among Jamaican consumers, especially within the large middle-income stratum. Influenced by the increasing acceptance of the wine culture by Jamaica consumers, availability of a wide range of wine at affordable prices and continued market promotion, aggregate household consumption of wine is expected to increase by between 10 and 12 percent per year over the next two years.



The composition of demand by product categories has not changed appreciably over the last three years. Sparkling wines account for approximately 39% of total imports, while other wine (red and white) represent 50%.

The Jamaican wine market is highly competitive and shows no significant degree of country loyalty as reflected in the marginal differences in the market share between the three leading suppliers, as well as the high annual variability in market share among the traditional suppliers. The United States' share of the Jamaica wine

market generally ranges between 26 and 31%, with that of Chile, France and Italy ranging between 17 and 23%, 21 and 32%, and 7 and 12%, respectively. Additionally, new entrants to the wines market such as Australia, Argentina and South Africa have been slowly gaining market share. Imports of Australian wines, in particular, have been impressive during 2005, with sparkling and other wine (red and white) increasing from less than one percent to 4.6 and 5.3%, respectively. Despite being less price-competitive, Australian wine compete on the basis of quality and compatibility with the Jamaican taste.

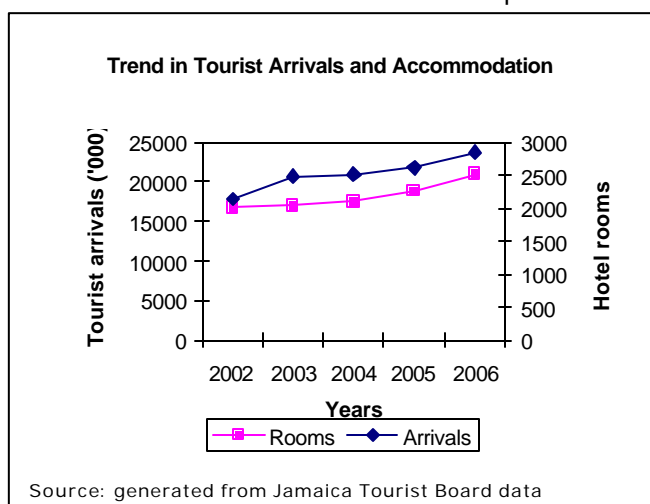
Despite losing market share to Chile and new entrant countries on the count of less price competitiveness, the United States retains leadership in the overall wines market. However, U.S. wine has lost 16 percentage points in market share in the sparkling wines segment from 45 percent during 2003 to 29 percent in 2005, while gaining 10 percentage points in the

other wines categories from 16 to 26 percent. Chilean wine accounts for 35% of the other wines and 12% percent of the sparkling wine market. France is the largest supplier of sparkling wine (37% market share) to Jamaica.

4.2 Market Segment Structure and Trends

4.2.1 Hotel Segment

Within the hotel sector, the nature of demand for wine is largely determined by the value culture of all-inclusive hotels (which constitute over 62% of total accommodation) and the taste / preference of the North American tourist. All-inclusive hotels are generally price-sensitive and, assuming the perceived quality meets a minimum threshold, base their purchase decisions heavily on value (quality/price ratio). On the other hand, U.S. tourists account for over 73% of total tourist arrival to Jamaica and generate a substantial demand for wine that meet their taste / preference.



On these bases, Chilean and U.S. wines dominate the hotel sector. Despite the characteristic value emphasis of the hotel sector, individual properties are differentiated on a smaller specialty service. Higher-end U.S. and European wines are positioned in this specialty segment.

The 2.6 million tourists that visited Jamaica during 2005, consumed an estimated 2.2 million liters of wines valued at USD4.4 million. The growth in the sector is expected to produce an annual increase in wine consumption of about 50% over the next two years, reaching 3.3 million and 5.0 million liters valued at USD6.6 and USD10 million during 2006 and 2007, respectively.

The long-run demand for wines in the sector will continue to be positive as private and public resources are channeled to expand the tourism sector, which is expected to remain the impetus to Jamaica's economic growth and development.

Over the last five years tourist arrivals to Jamaica and the stock of hotel accommodation have trended upward at 5% and 7% per year, respectively. The growth in both indicators is expected to increase drastically over the short to medium-term, primarily because of the unprecedented levels of investment in the sector by Spanish hotels and the Government-backed Harmony Cove Resorts development. At least three Spanish hotel chains are expected to enter and expand in the tourism market over the next two years, adding a total of about 3,000 rooms to the current stock. Harmony Cove Resorts, Jamaica's most ambitious tourism development, which is conceptualized to include three luxury resorts, villas, marina and restaurants, is expected to add another 6,000 rooms to the sector. With investments of these magnitudes over such short horizon, the tourism sector is poised to become Jamaica's main economic activity, creating a sustainable demand for imported food and beverages, including wines and other alcoholic beverages.

4.2.2 Retail Segment

Generally, Jamaicans are not traditional consumers of grape wine (red, white and sparkling). However, exposure to North American lifestyles, increasing availability of a wide range of affordable wine and continued marketing and promotion have bolstered acceptance and consumption of wines at the household level. While the expatriate and business communities are the largest retail consumers of wine in Jamaica, the large middle-income segment is rapidly embracing the wine culture. Household acceptance of wine is particularly

evident from the explosion in the number of brands and varieties of wine, and the wide price range in retail stores. Most supermarkets that target middle and upper income consumers have added liquor stores as strategic business units, showcasing as many as forty-nine different brands of wine, constituting over twelve varieties from over ten countries. The price range of wine in the retail sector from a modest USD5.00 to USD45 per 0.75-milliliter (ml) bottle, caters to, and is informed by the taste/ preference and income of a wide cross-section of the population. The retail market for wine is in the introductory stage and is expected to grow by 10 to 12 percent per year over the next two years.

On a unit volume basis, wine is price competitive in the retail alcoholic beverages market and this helps to explain its increasing acceptance across all socio-economic strata. In fact, retailers have reported strengthened holidays and weekend seasonality in wine consumption, which is partly fuelled by parties and other social events.

Certain demographic, psychographic and external influences will continue to contribute to the growing consumption of wine in the retail sector. With more than 50% of the population below 30 years old and 78% below 40 years old, there is a strong inclination to incorporate external cultures into the Jamaican lifestyle. Additionally, despite the relatively low per capita income, Jamaican consumers have a relatively high marginal propensity to consume, which is largely driven by variables such as status, recognition and exclusivity. While wine consumption is expected to grow generally in the retail sector, the upper 40% of the population, which accounts for over 70% of consumption expenditure, is expected to drive the wine culture in Jamaica. The eligible age for consuming alcoholic beverages in Jamaica is 18 years, giving a total market of 2.1 million people.

4.3 Price Comparison

4.3.1 Border Prices

Despite the cost advantage from geographic proximity and shipping logistics, U.S. wine that is exported to Jamaica is generally less price competitive than the major competitors.

CIF Prices (USD/Liter) and Import Values ('000 Liter) by Country						
Countries	2003		2004		2005*	
	CIF	Imports	CIF	Imports	CIF	Imports
U.S.A	3.05	334	3.32	360	2.59	540
France	2.40	466	2.34	337	3.0	399
Chile	1.95	302	2.00	389	1.59	781
Italy	1.77	146	1.67	208	1.85	213

Source: Statistical Institute of Jamaica *Preliminary

However, U.S. wine retains its market leadership (on the basis of value) due to the higher demand in the tourism sector. The popularity and loyalty to U.S. wine in the tourism market helps to cushion the price effects from low-

price suppliers. Chilean wine compete aggressively in the retail and hotel segments on the bases of price and quality. It is the general belief by importers and hoteliers that South American wine is comparable in quality to U.S. wine but offers better value due to the price differentials. Although relatively price-competitive, European wines are hampered by a more complex distribution channel.

4.3.2 Retail Prices

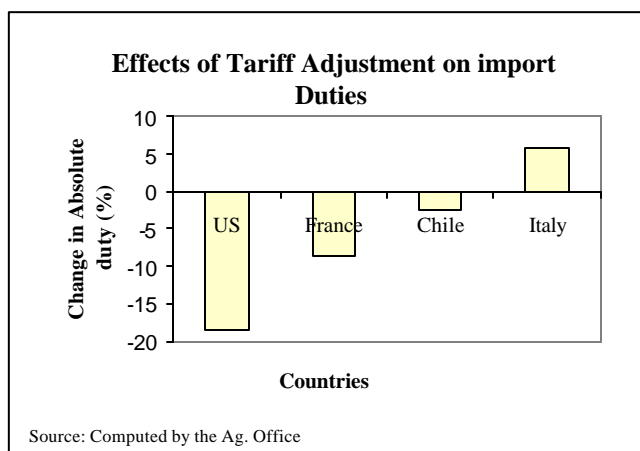
Retail Price Comparison For Major Suppliers						
Price range USD	US %	Australia %	Chile %	Argentina %	Italy %	France %
5.00-8.00	16	-	65	20	33	25
8.10-11.00	53	17	29	60	66	75
11.10-14.00	11	50	6	20	-	-
>14.00	21	33	-	-	-	-
Average USD	12.00	13.00	8.00	10.00	8.00	9.00

Source: retail store audit

At the retail level, Chilean wines are positioned as low-price leaders, with 65% of all Chilean brands selling at prices below USD8.00 per 0.75-liter (L) bottle. Conversely, U.S. wines target all price ranges of the market, but are heavily skewed towards the middle and upper price ranges (85% above USD8.00 per 0.75-L bottle). Italian, French and Argentinean wines are also generally positioned in the lower price ranges of the retail segment. The brands of Australian wines that are imported into Jamaica are conducive to marketing on the basis of quality, brand recognition and customer loyalty, and are likely to be accepted in the mid to upper income segments, and for special occasions. The majority of U.S. wines that are imported into Jamaica originate from the state of California. The retail marketing of U.S. wine does not distinctively differentiate and communicate brand-specific attributes from generic geographic positioning. Jamaican consumers, with relatively low knowledge of wines, are likely to base purchase decisions of U.S. wine on prices.

4.3.3 Changes in Price Competitiveness

The changes in the GOJ's methodology in calculating import taxes (Additional Stamp Duties- ASD- and Special Consumption Tax-SCT) on wine from an *ad valorem* to a fixed-rate basis



have conferred an advantage on higher price wines. Historically, the GOJ levies a Common External Tariff (CET) of 30% and an ASD of 34% on the CIF value of imported wines, compounded to 74.2%. A further 21% SCT is charged on the selling price of the products. Under the new methodology, the variable ASD rate has been replaced with a fix US1.60 per liter and the SCT with a USD0.4 per liter. The reduction on the effective variable taxes from 74.2% to 30% has generated a proportionate duty advantage on the differential in CIF values, with the absolute gains positively related to CIF values. Further, the fixed rate has

increased the import duties on wine with CIF values below USD1.89/ liter. The duty advantage from the 21% SCT is magnified by the 20-30% markup by importers and a similar increase by retailers. It is estimated that, assuming constant markups on similar classifications of wine, the rate of change in aggregate import duties with CIF values has been reduced from 136% to 30%. Using actual price data, as observed during 2004 (the most recent year of complete data), under the new method of computing import duties U.S. wines, on average, would have gained the greatest price advantage, with absolute import duty decreasing by about 19%. The gains progressively decrease among the other three major competing countries with Italy experiencing a duty disadvantage and Chile a negligible reduction in absolute duty.

The differential in CIF prices has not show much variation and should accrue the same relative advantage over 2005 and 2006. Effectively, existing brands of U.S. wines should, on average, achieve a 16% price (duty) advantage over Chilean wines.

5.0 Other Competing Products

The Jamaican market for beer, rum and stout is relatively large, amounting to between 70 and 77 million liters with an estimated value of USD107 million to USD117 million, over the last three years. Of this total, beers account for between 55% and 60%, while stout and rum represent between 21% and 25%, and 18% and 23%, respectively. Imports of whisky, brandy, gin and other alcoholic beverages have remained relatively small over the last three years. With wine currently retailing at prices as low as USD6.60 per liter compared to beers at USD5.56 per liter, there is significant potential in the alcoholic beverages market to influence consumers taste preference. Despite the marginal price differential, wine promotion will require a shift in consumers' drink habits and, possibly social venues.

Major Competing Products			
Product categories	Volumes ' 000 Liters		
Rum, Beer, Stout	2003	2004	2005
Production	98,936	107,259	109,890
Import	327	399	206
Export	28,996	29,713	40,143
Consumption	70,267	77,945	69,953
Whisky, Brandy, Gin, Vodka			
Imports	457	350	614
Source: PIOJ, STATIN			

6.0 Best Prospects for U.S. Wine

Red, white and sparkling wines present good market potential in both the retail and hotel/restaurant segments. With the large middle-income stratum, wines that are retailed in the USD5.00 to USD8.00 price range are expected to show the fastest growth in the retail segment. Given the current association of U.S. wine with a single state, it would be strategic to introduce wine with comparable quality from other U.S. territories. One particular lower priced U.S. brand from the State of New York has made significant inroads in the Jamaican wines market. Within the hotel sector, with the increased price competitiveness of U.S. wine, products in the medium price/quality range should have significant potential.

7.0 Market Access

Wines that are exported to Jamaica should be labeled in accordance with the guidelines of JS1 Part 1 and JS1 Part 20. Both publications are available from the Bureau of Standards Jamaica. Additionally, Jamaica follows the metric system of measurement and the ISO (yy/mm/dd) or European (dd/mm/yy) date conventions. Each individual bottle of wine that is exported to Jamaica should be labeled with a traceable manufacturer's address and telephone number, as well as a local address and contact for the domestic distributor. Import duties are charged at 30% CET (on the CIF value), USD1.6 per liter ASD and USD0.4 per liter Special Consumption Tax.

8.0 Further Contacts

Foreign Agricultural Service
U.S. Embassy
2 Oxford Road
Kingston 5
Tel: 876-920-2827
Fax: 876-920-2580
Email: agkingston@usda.gov

Bureau of Standards Jamaica
6 Winchester Road
Kingston 5
Tel: (876)926-3140
Fax: (876)929-4736
website: <http://www.jbs.org.jm>